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ORIGIN EB-03

INFO OCT-01 EUR-10 EA-07 IO-03 ISO-00 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-10

INT-01 L-02 NSAE-00 NSC-07 OMB-01 PM-03 RSC-01 SAM-01

SCI-03 SP-02 SS-14 STR-01 TRSE-00 FRB-01 FEA-01 PA-01

PRS-01 USIA-04 /092 R

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EUR/IB:JMSMITH

EUR/RPE:JTARRANT

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FM SECSTATE WASHDC

TO AMEMBASSY MADRID

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY CANBERRA

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY REYKJAVIK

AMEMBASSY VIENNA

AMEMBASSY WELLINGTON

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AMEMBASSY PARIS

AMEMBASSY THE HAGUE
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION USUN NEW YORK

C O N F I D E N T I A L STATE 222266

E.O. 11652: GDS
TAGS: ENRG
SUBJECT: INTERNATIONAL ENERGY PROGRAM - SPAIN
REF: BRUSSELS 7300

1. AT SEPTEMBER 19-20 ECG MEETING US AGREED TAKE ON TASK OF DIRECT BILATERAL CONTACTS WITH SPAIN AND PORTUGAL ON SUBJECT OF PROPOSED OECD COUNCIL DECISION TO ESTABLISH NEW INTERNATIONAL ENERGY AGENCY TO RUN IEP.

2. AS EMBASSY IS AWARE, SPANISH HAD EARLIER INDICATED TO US THEIR INTEREST IN EXPLORING POSSIBLE MEMBERSHIP IN NEW AGENCY AND PARTICIPATION IN IEP. ON OCTOBER 3 ASSISTANT SECRETARY OF STATE ENDERS DISCUSSED SUBJECT FURTHER WITH GOS FINANCE MINISTER BARRERA DE IRIMO. BARRERA STATED THAT GOS CONTINUES TO BE INTERESTED IN IEP AND HAS BEEN STUDYING CAREFULLY POSSIBLE PARTICIPATION. HE SAID SUBJECT MAY BE DISCUSSED BY GOS COUNCIL OF MINISTERS WITHIN THE NEXT SEVERAL DAYS.

3. US HAS STATED IN ECG THAT WE ARE PREPARED TO SUPPORT IEP MEMBERSHIP FOR ANY OECD MEMBER COUNTRY WHICH DEMONSTRATES THAT IT IS WILLING AND ABLE TO MEET ALL OF THE OBLIGATIONS OF THE PROGRAM. THE PRINCIPAL OBLIGATIONS AND COMMITMENTS OF IEP MEMBERSHIP ARE:

A) TO MAINTAIN EMERGENCY OIL RESERVES EQUIVALENT TO 60 DAYS OF NORMAL IMPORTS;

B) TO HAVE PRE-POSITIONED PACKAGES OF DEMAND RESTRAINT MEASURES CAPABLE OF RESTRAINING OIL CONSUMPTION IN AN EMERGENCY BY 7 AND 10 PERCENT;

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C) TO SHARE OIL WITH ANY OTHER MEMBER COUNTRY OR COUNTRIES WHICH SUFFER A 7 PERCENT LOSS OF NORMAL SUPPLIES;

D) TO IMPOSE DEMAND RESTRAINT OF 7 AND 10 PERCENT WHEN GROUP AS A WHOLE SUFFERS LOSS OF SUPPLY OF 7 PERCENT AND 12 PERCENT RESPECTIVELY;

E) TO ALLOCATE AVAILABLE OIL IN SITUATIONS DESCRIBED

UNDER D) TO PROVIDE THAT EACH COUNTRY, DRAWING FROM ITS EMERGENCY SUPPLIES AT THE SAME RATE, IS ABLE TO LIVE AT THE COMMON LEVEL OF RESTRAINED CONSUMPTION FOR THE SAME PERIOD OF TIME;

F) TO COOPERATE IN THE ESTABLISHMENT OF AN INFORMATION SYSTEM ON THE INTERNATIONAL OIL MARKET AND THE ACTIVITIES OF THE INTERNATIONAL OIL COMPANIES; AND

G) TO ENGAGE IN A COOPERATIVE PROGRAM TO REDUCE DEPENDENCE ON IMPORTED OIL.

4. WE WILL BE DISCUSSING THIS SUBJECT FURTHER WITH THE SPANISH EMBASSY HERE. WE HAVE MADE IT CLEAR IN OUR DISCUSSIONS THAT WE WOULD HOPE THAT GOS, AFTER CAREFUL REVIEW OF PROGRAM, WILL DECIDE TO SEEK MEMBERSHIP.

5. CURRENT TIMETABLE FOR FINAL APPROVAL AND ENTRY INTO FORCE OF IEP (SEE REFTEL) CALLS FOR ECG COUNTRIES TO INDICATE FORMAL ACCEPTANCE OF DRAFT AGREEMENT BY OCTOBER 29 WITH OECD COUNCIL MEETING TO CONSIDER DRAFT DECISION ESTABLISHING NEW ENERGY AGENCY WITHIN FIRST TWO WEEKS OF NOVEMBER. SHOULD GOS REACH AFFIRMATIVE DECISION ON IEP PARTICIPATION BEFORE OCTOBER 29, SPAIN COULD JOIN AS CHARTER MEMBER. MEMBERSHIP AT SOME LATER DATE WOULD OF COURSE ALWAYS BE POSSIBLE. CURRENT DRAFT PROVIDES FOR ADMISSION OF NEW MEMBERS BY MAJORITY VOTE -- 60 PERCENT OF COMBINED VOTES (IEP VOTING SYSTEM PROVIDES FOR THREE COUNTRY VOTES FOR EACH MEMBER PLUS WEIGHTED OIL CONSUMPTION VOTES) AND SIX COUNTRIES. IF SPAIN SHOULD DECIDE NOT TO SEEK IEP MEMBERSHIP AT THIS TIME, WE WOULD NEVERTHELESS APPRECIATE SPANISH SUPPORT FOR OECD COUNCIL DECISION ESTABLISHING NEW ENERGY AGENCY.
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6. COPY OF SEPTEMBER 21 DRAFT AGREEMENT HAS BEEN POUCHED TO AMEMBASSY MADRID. WE WILL BE GIVING COPY OF LATEST DRAFT, WHICH HAS BEEN POLISHED BY ECG LEGAL DRAFTING GROUP, TO SPANISH EMBASSY HERE.

7. DRAWING ON THE ABOVE INFORMATION, EMBASSY SHOULD CONVEY TO APPROPRIATELY HIGH LEVEL OF GOS OUR HOPE THAT GOS WILL CAREFULLY CONSIDER PARTICIPATION IN IEP AND OUR DESIRE FOR SPANISH SUPPORT OF DRAFT DECISION IN OECD COUNCIL.

8. HANDLING OF APPROACH TO PORTUGUESE GOVERNMENT WILL BE COVERED IN SUBSEQUENT MESSAGE. IN MEANTIME, DEPARTMENT IS ALSO POUCHING COPY OF IEP AGREEMENT AND OTHER BRIEFING

MATERIAL TO EMBASSY LISBON FOR ITS USE IN DISCUSSIONS WITH
GOP OFFICIALS FOLLOWING RECEIPT OF INSTRUCTIONS FROM
DEPARTMENT. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ENERGY, AGREEMENTS, INTERGOVERNMENTAL COOPERATION, IEP
Control Number: n/a
Copy: SINGLE
Draft Date: 09 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE222266
Document Source: CORE
Document Unique ID: 00
Drafter: SWBOSWORTH:LS
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740286-0589
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741059/aaaabyqz.tel
Line Count: 172
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: BRUSSELS 7300
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 20 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 MAR 2002 by martinml>; APPROVED <22 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INTERNATIONAL ENERGY PROGRAM - SPAIN
TAGS: ENRG, XX
To: MADRID
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005